

E-002/M-94-372 ORDER ACCEPTING REPORTS AND AUTHORIZING BOOKING TO
THE TRACKER ACCOUNT

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
Commissioner
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Commissioner

In the Matter of the Northern States Power
Company's Electric Utility's 1993 Evaluation of
its Demand-Side Management Incentive
Mechanism

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PROCEDURAL HISTORY

On March 19, 1991¹ and January 3, 1992², the Commission approved a Demand-Side Management Financial Incentive Pilot Project (Incentive Project) for Northern States Power Company's (NSP's or the Company's) electric utility. As part of its approval, the Commission directed NSP to file

- an annual report regarding the results of the incentive (a cost effectiveness and performance report)
- an annual evaluation of the incentive mechanism and its project impact measurement methods and
- an annual tracker report.

On March 31, 1994, NSP filed the required reports for 1993.

On May 9, 1994, the Minnesota Department of Public Service (the Department) filed comments on the Company's reports.

On July 21, 1994, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

A. Cost Effectiveness and Performance Report

¹ In the Matter of the Proposal of Northern States Power Company's Electric Utility for a Demand-Side Management Incentive Mechanism, Docket No. E-002/M-90-1159, ORDER APPROVING PROPOSAL AND REQUIRING FURTHER FILINGS (March 19, 1991).

² In the Matter of the Proposal of Northern States Power Company's Electric Utility for a Demand-Side Management Incentive Mechanism, Docket No. E-002/M-90-1159, ORDER APPROVING COST-EFFECTIVENESS, PERFORMANCE AND EVALUATION PLANS (January 3, 1992).

The Company's conservation projects are divided into two categories, direct-impact and indirect impact, and performance measures are different for each category. For direct impact projects (those projects which directly lower the consumption of electricity, such as a lighting rebate program), performance is measured by the actual percent of planned kWh achieved. For indirect impact projects (projects which influence energy use through consumer education, such as energy audits), performance is measured by the percent of planned participation achieved, weighted by the project's contribution to the entire indirect impact budget.

NSP reported that for 1993, it achieved 119 percent of its cost effectiveness goal (expressed as net avoided revenue requirements) and 113 percent of its kWh goal.

The Company asserted that based on its incentive, it qualified for a five percent ROE bonus for direct impact projects equalling \$379,939 (excluding taxes and carrying charges). For indirect impact projects, NSP reported that it achieved 90 percent of its weighted cost-effectiveness and performance goal, entitling it to an ROE bonus of 4.0 percent, or \$41,381.

The Department found that NSP correctly applied the Commission-approved ROE bonuses: five percent to direct impact projects and four percent to indirect impact programs.

In addition to the bonus ROE, NSP booked \$(1,862,658) to the Conservation Improvement Program (CIP) tracker, which represents 50 percent of the 1993 interruptible discounts under the amounts built into the 1993 test year.

B. Evaluation of the Incentive Mechanism and its Project Impact Measurement Methods

NSP's evaluation of its incentive mechanism compared its 1993 program results with the average of the previous three years for kWh saved, expenditures, and percent of goal achieved. NSP stated that from this evaluation, a progression of expenditures on conservation projects and an increase in the percent of goal achieved is clear.

In addition to this evaluation, NSP included its ongoing evaluation of project impact measurement methods. This evaluation updated the Commission on NSP's progress in measuring actual savings on individual projects. In general, NSP is planning revisions or improvements in measurement methods for several projects. It is also undertaking a comprehensive assessment of its commercial and industrial (C&I) market which will provide information to help update impact estimates for demand-side management (DSM) measures.

C. Tracker Report

Finally, NSP submitted its CIP tracker report. The tracker balance at year end, with the inclusion of the incentives, is \$(1,880,843). This amount will be examined in the Company's next rate case. The Commission will determine in that case whether the tracker balance is accurate, and the method to be used to recover that balance.

D. Commission Action

Based on its review of the Company's reports, the Commission finds them acceptable. When all the calculations are made, the appropriate amount to book to the CIP Tracker Account is \$745,629. The Commission will authorize the Company to book that amount.

ORDER

1. The annual reports reviewed in this Order are accepted.
2. The Company is hereby authorized to book \$745,629 to its CIP Tracker Account, representing the ROE bonus plus associated taxes and carrying charges for 1993.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)